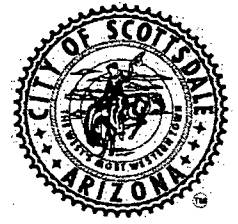


CITY COUNCIL REPORT



Meeting Date:
Charter Provision:
affairs of the City

December 2, 2014
Provide for the orderly government and administration of the

ACTION

Adopt Resolution No. 9976 authorizing the execution of a letter to the Industrial Commission of Arizona requesting an exemption to the requirement to post security for outstanding workers' compensation claims.

BACKGROUND

The Industrial Commission of Arizona previously required the City as a qualified self-insurer to post securities or cash as collateral for the accrued future liability of pending claims as projected by outside actuarial analysis. The City had elected to post Local Government Investment Pool (LGIP) funds as collateral, which in the past has been as much as \$3.7 million.

Effective April 2005, the Industrial Commission adopted revised rules, Arizona Administrative Code R20-5-114, providing self-insured public entities with a conditional exemption from the requirement to post securities to cover estimated total futures workers' compensation claims liability. This was done because public entities stability and resources. To take advantage of not having to post actual securities, the revised rules require a certified letter signed by a majority of the governing board requesting exemption from requirements to post security for the accrued liability for future workers' compensation obligations. The City has a fully funded Loss Trust Fund and certifies that the governing board will immediately notify the Industrial Commission if the Fund does not have sufficient funds to cover the workers' compensation liabilities of the City. The insurance program structure includes excess catastrophic insurance for work-related injuries that is purchased through a commercial insurer. The City Treasurer's staff regularly monitors the Fund balance for adequacy and will notify Council if there is any under-funding. Per the revised rules, attached is a letter that a majority of elected officials must sign granting the conditional waiver for the future liability of pending workers' compensation claims.

ANALYSIS & ASSESSMENT

Recent Staff Action

This documentation is needed to be submitted in conjunction with the City's request to renew our self-funded workers' compensation program.

Policy Implications

None

Significant Issues to be Addressed

None

Community Involvement

None

RESOURCE IMPACTS

Available funding

The Loss Trust Fund maintains reserve funding to meet the City's financial obligations for the payment of the liability for our outstanding and projected workers' compensation losses. A qualified independent actuarial firm is retained on an annual basis to project and develop losses in order to recommend appropriate reserve levels. The City will attempt to maintain a Risk Management reserve fund balance equivalent to the actuaries' 85 percent confidence interval of projected total outstanding claims liability as recommended by the Loss Trust Fund Board. The approved FY 2014/15 Budget projects the fund balance to be above the actuaries 75 percent confidence level. The exemption mandates that the fund balance will not fall below the actuary recommended funding levels of 50-55 percent of the ultimate liability.

The alternative to the exception document would be for the City to post security in the amount of the outstanding expected liability.

Staffing, Workload Impact

None

Maintenance Requirements

None

Future Budget Implications

None

OPTIONS & STAFF RECOMMENDATION

Recommended Approach

Council Report - Requesting an exemption from the requirement to post security with the Industrial Commission for calendar year 2015.

Authorize the continued process of submitting a certified letter to the Industrial Commission by signing the attached letter granting a conditional waiver for the future liability of pending workers' compensation claims.

Next Steps

File the executed letter requesting the security exemption with the Industrial Commission of Arizona by the self-funded program renewal date of January 1, 2015.

RESPONSIBLE DEPARTMENT(S)

Risk Management Department

STAFF CONTACTS (S)

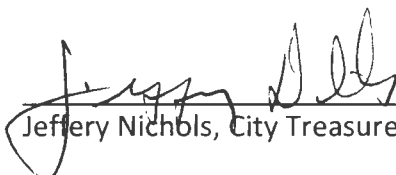
Katherine Callaway, Risk Management Director,

APPROVED BY


Katherine Callaway, Risk Management Director

11-17-14
Date

480-312-7841, kcallaway@scottsdaleaz.gov


Jeffery Nichols, City Treasurer

11/17/14
Date

480-312-2364, jenichols@scottsdaleaz.gov

ATTACHMENTS

1. Letter to the Industrial Commission of Arizona granting a conditional waiver for pending Workers' Compensation claim obligations. - Special Note: must be signed by a majority of Council and

Council Report - Requesting an exemption from the requirement to post security with the Industrial Commission for calendar year 2015.

certified by the City Clerk's Office.

2. Resolution No. 9976



Risk Management
7447 E. Indian School Rd., Ste. 225
Scottsdale, AZ 85251

PHONE (480) 312-2490
WEB www.ScottsdaleAZ.gov

City of Scottsdale

COUNTY OF MARICOPA

I Carolyn Jagger, City Clerk of the City of Scottsdale, Maricopa County within the State of Arizona, do hereby and attest that the attached is the original Request for Exemption from Requirement to Post Statutory Deposit for the City of Scottsdale in accordance with the Arizona Administrative Code and for its Self-Insured Workers Compensation program, has been duly approved and signed by the City Council on _____.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the official seal of the City of Scottsdale to be affixed hereunto this _____ day of December 2014.

Carolyn Jagger, City Clerk of the City of Scottsdale

Request for Exemption from Requirement to Post Statutory Deposit

Pursuant to the Arizona Administrative Code subsection R20-5-1114 (A & B), this document constitutes a certified statement from the City of Scottsdale, a chartered Arizona municipality, duly qualified and authorized Arizona Workers Compensation self-insurer.

The City of Scottsdale hereby requests the Industrial Commission of Arizona (ICA) approve an alternate (exemption) from the posting of a statutory deposit, of which the current approved types are as follows: Letter of credit; a surety bond; U.S. Treasury notes or establishing a local government investment pool (LGIP) account. This request is made in accordance with A.A.C § R20-5-1114 and shall cover the City of Scottsdale unpaid Workers Compensation claims liability, as outlined in the foregoing statement.

The City of Scottsdale, Arizona States:

- 1) The City of Scottsdale has established a self-insurance trust pursuant to A.R.S. § 11-981 (A-F) and Division 3 Section 2-167 of the Scottsdale Code of Ordinances.
- 2) The City of Scottsdale shall conduct an actuary report on an annual basis. The City will attempt to maintain a Risk Management reserve fund balance equivalent to the actuaries' 85 percent confidence interval of projected total outstanding claims liability as recommended by the Loss Trust Fund Board. The approved 2014-15 Fiscal Year Budget projects the fund balance to be above the seventy-five percent confidence level. The fund balance will not fall below the actuary recommended funding levels of 50-55% of the ultimate liability. The present value discount for investments is no more than 2% annually.
- 3) The risk management fund and/or workers compensation trust is sufficient to cover actuarial liabilities for workers compensation' as determined by the self insurer in accordance with Government Accounting Standards Board Statement #10 (replaced by GASB No. 34); and
- 4) The City of Scottsdale provides funding to the risk management fund and/or trust established pursuant to A.R.S. § 11-981 (A-F) each year. The amount in the internal service fund held for workers' compensation purposes within the trust is sufficient to cover actuarial liabilities for workers compensation claims as determined by the self-insurer's actuary in accordance with Government Accounting Standards Board Statement #10 (replaced by GASB No. 34).
- 5) The City's governing body, or designate, shall immediately notify the ICA and provide security as provided by and in this Article, if the governing body, or designate, learns that the risk management fund and/or trust has insufficient funds to cover all workers compensation liabilities of the City Of Scottsdale.
- 6) Pursuant to items 1 through 4, the City of Scottsdale meets the conditions required under A.R.S. § 11-981 (A-F) and the Arizona Administrative Code, subsection R20-5-1114 (A&B).
- 7) The signatures below represent a majority of the governing body (City Council) members.

Signed _____

Date _____

Signed _____

Date _____

Signed _____

Date _____

Signed _____

Date _____

Signed _____

Date _____

Signed _____

Date _____

RESOLUTION NO. 9976

A RESOLUTION OF THE COUNCIL OF THE CITY OF SCOTTSDALE, MARICOPA COUNTY, ARIZONA AUTHORIZING EXECUTION OF A LETTER TO THE INDUSTRIAL COMMISSION OF ARIZONA REQUESTING AN EXEMPTION TO THE REQUIREMENT TO POST SECURITY.

WHEREAS, it is in the best interest of the City to be exempted by the Industrial Commission of Arizona from having to post security for the City's self-insured workers' compensation claims;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Scottsdale, Maricopa County, Arizona, as follows:

Section 1. City staff is authorized to submit a letter signed by a majority of the City Council and certified by the City Clerk, requesting an Industrial Commission of Arizona exemption from the requirement to post security.

PASSED AND ADOPTED by the City Council of the City of Scottsdale this ____ day of December, 2014.

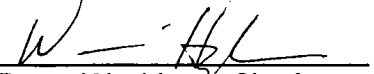
CITY OF SCOTTSDALE, an Arizona
municipal corporation

ATTEST:

Carolyn Jagger, City Clerk

W.J. "Jim" Lane, Mayor

APPROVED AS TO FORM:



Bruce Washburn, City Attorney

By: William Hylen, Assistant City Attorney

ATTACHMENT 2